https://www.financial-planning.com/list/10-best-and-worst-small-cap-etfs-of-the-past-year

10 best and worst small-cap ETFs of the past year
By Rob Burgess
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Given the current market conditions and interest rates, experts say small-cap ETFs can be a great way for advisors to help clients diversify their portfolios.

Tom Hulick, CEO of Strategy Asset Managers in Pasadena, California, said he guides clients to view small-cap ETFs as an effective way to tap into early-cycle economic strength, particularly as improving earnings growth and declining interest rates create a constructive environment for smaller companies.

"We emphasize thoughtful position sizing and diversification so clients can access the long-term return potential of small caps while maintaining a disciplined risk profile," he said. "Our focus remains on fundamentals and the steadily improving earnings outlook across the small-cap universe."

But not everyone is convinced. Alex Tsepaev, the chief strategy officer at B2PRIME Group, a global financial services provider for institutional and professional clients, said he is skeptical about small-cap ETFs as they tend to be more volatile than their "big brothers."

"Moreover, any ETF has a certain management fee," he said. "As a rule, the larger the ETF, the lower the management fee percentage, which means small-cap ETFs have a higher fee."

Another problem Tsepaev said he sees with small-cap EFTs is that the market has become very efficient.

"It is so productive and has so few gaps that the trend we witness now is not to find something more outstanding than the market but to replicate the best practices," he said. "From this point of view, it is evident that larger companies have much better practices because they now rely on a large amount of data, technologies and skills."

How to choose the right small-cap ETF
Hulick said his firm prioritizes quality — funds built on transparent methodologies, profitability screens, durable earnings profiles, balanced sector exposure and strong liquidity. He said they also look for thematic alignment where appropriate, identifying ETFs that capture powerful secular trends without excessive concentration risk.

"High-quality offerings in areas such as emerging technology, cybersecurity innovation and next-generation energy infrastructure stand out, as they combine small-cap growth potential with exposure to industries experiencing meaningful

structural tailwinds," he said.

One issue to consider is that returns in small-cap value versus small-cap growthcan be dramatically different over time periods, said Jason Lilly, senior wealth advisor and founder of Tenere Wealth Advisors in Hyannis, Massachusetts.

A five-year annual return of 6% would be quite good for a small-cap growth fund, but a bottom performer in small-cap value, he said.

"The reverse is true for one-year results with small-cap growth outperforming small-cap value," he said.

Given today's market dynamics — including accelerating earnings growth within the S&P SmallCap 600 and supportive macro conditions — Hulick said they are optimistic on small-cap exposure.

"As the economic trajectory continues to improve and rates move lower, small caps are positioned to benefit disproportionately," he said.

In this environment, Hulick said they use high-quality ETFs to gain targeted exposure not only to broad small-cap segments but also to compelling thematic pockets such as cloud computing and software, cybersecurity solutions vital to the modern economy and energy-related industrial innovators participating in grid modernization and domestic reindustrialization.

"This balanced and forward-looking approach positions our clients to participate meaningfully in the next phase of small-company growth," he said. "I believe we will see historic growth from the small-cap sector for several years ahead; however, it is important to know what sector ETFs to own and what not to own."

Scroll down the slideshow below to see the 10 small-cap ETFs with the highest one-year returns and the 10 small-cap ETFs with the lowest three-year returns as of Nov. 30, 2025. All data is from Morningstar Direct.

10 best small-cap ETFs of the past year

10 First Trust Multi-Manager Sm Cp Opps ETF (MMSC)

9 Fidelity Enhanced Small Cap ETF (FESM)

Fund size	$3,103,147,574
Expense ratio	0.28%
One-year return	7.69%

8 abrdn Focused U.S. Small Cap Active ETF (AFSC)

abrdn

Fund size	$22,107,190
Expense ratio	0.65%
One-year return	8.04%

7 Brandes U.S. Small-Mid Cap Value ETF (BSMC)

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Fund size	$130,737,918
Expense ratio	0.71%
One-year return	8.63%

6 First Trust Dow Jones Sel MicroCap ETF (FDM)

First Trust

Fund size	$211,022,754
Expense ratio	0.6%
One-year return	8.74%

5 Inspire Fidelis Multi Factor ETF (FDLS)

inspire

Fund size	$118,678,959
Expense ratio	0.69%
One-year return	12.65%

4 First Trust Small Cap Gr AlphaDEX® ETF (FYC)

First Trust

Fund size	$675,457,210
Expense ratio	0.71%
One-year return	13.37%

3 iShares Micro-Cap ETF (IWC)

iShares® by BlackRock

Fund size	$1,038,647,578
Expense ratio	0.6%
One-year return	15%

2 Invesco NASDAQ Future Gen 200 ETF (QQQS)

Fund size	$11,878,265
Expense ratio	0.2%
One-year return	20.13%

1 Invesco WilderHill Clean Energy ETF (PBW)

Fund size	$650,827,158
Expense ratio	0.64%
One-year return	48.49%

10 worst small-cap ETFs of the past year

10 JPMorgan Active Small Cap Value ETF (JPSV)

JPMorgan Chase & Co.

Fund size	$23,911,562
Expense ratio	0.74%
One-year return	-6.48%

9 WisdomTree US SmallCap Dividend ETF (DES)

Fund size	$1,842,693,174
Expense ratio	0.38%
One-year return	-7.49%

8 ProShares Russell 2000 Dividend Growers (SMDV)

Fund size	$626,950,338
Expense ratio	0.4%
One-year return	-8.16%

7 Invesco S&P SmallCap Quality ETF (XSHQ)

Fund size	$250,849,959
Expense ratio	0.29%
One-year return	-8.5%

6 Texas Capital Texas Sm Cp Eq Idx ETF (TXSS)

Fund size	$10,030,273
Expense ratio	0.49%
One-year return	-8.54%

5 Miller Value Ptnrs Appreciation ETF (MVPA)

Fund size	$66,399,797
Expense ratio	0.6%
One-year return	-8.78%

4 WisdomTree US SmallCap Qual Div Gr ETF (DGRS)

WISDOMTREE®

Fund size	$343,891,701
Expense ratio	0.38%
One-year return	-9.71%

3 Motley Fool Small-Cap Growth ETF (TMFS)

Fund size	$71,559,572
Expense ratio	0.85%
One-year return	-10.69%

2 Harbor Active Small Cap ETF (SMLL)

Fund size	$18,680,141
Expense ratio	0.8%
One-year return	-11.62%

1 Invesco S&P SmallCap Hi Div Low Vol ETF (XSHD)

Fund size	$69,604,980
Expense ratio	0.3%
One-year return	-12.06%